

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-12 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEAE-00 OMB-01

SWF-02 DRC-01 /182 W
----- 087190

R 011807Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5393

INFO AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

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E.O. 11652: N/A

TAGS: EAGR, EEC, GW

SUBJECT: FRG AND THE CAP

REF: BONN 15301

1. SIGNS HAVE MULTIPLIED DURING THE LAST FEW DAYS
THAT THE GERMAN GOVERNMENT HAS BEEN TRYING TO
COUNTERACT THE SHOCK AND WAVE OF INDIGNATION
PROVOKED BY THE SEPTEMBER 25 CABINET DECISION NOT
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TO APPROVE THE 5 PERCENT INCREASE IN AGRICULTURAL

PRICES AGREED TO BY THE EC COUNCIL OF AGRICULTURAL MINISTERS. THE GOVERNMENT PRESS SPOKESMAN AT A PRESS CONFERENCE ON SEPTEMBER 30 READ PUBLICLY CHANCELLOR SCHMIDT'S CONCILIATORY LETTER TO PRESIDENT GISCARD (INFORMAL TRANSLATION IN PARA 4, BELOW) AND ANNOUNCED THAT THE CHANCELLOR AND FINANCE MINISTER APEL WILL MEET WITH MINISTERS GENSCHER AND ERTL, ON THE MARGIN OF THE FDP CONVENTION IN HAMBURG ON OCTOBER 1, TO LAY DOWN THE FRG POSITION FOR THE OCTOBER 2 EC COUNCIL MEETING IN LUXEMBOURG.

2. THERE IS FURTHER EVIDENCE THAT THE FRG IS BACKING AWAY SOMEWHAT FROM ITS EARLIER APPARENT HARD STANCE, REPRESENTED BY THE PUBLICIZED CONDITIONS FOR ITS CONSENT TO THE 5 PERCENT INCREASE. THE PRESS SPOKESMAN INDICATED THAT THE FRG REALIZED THAT THE DISMANTLING OF NATIONAL AGRICULTURAL MEASURES COULD NOT BE ACCOMPLISHED "OVERNIGHT" AND THAT SOME OF THEM MAY REQUIRE APPROPRIATE LEGISLATIVE MEASURES. THEREFORE, HE SAID, THE FRG CABINET SPOKE OF "SATISFACTORY DECLARATIONS" REGARDING THEIR ABOLITION.

3. THE CHANCELLOR HIMSELF SEEMS TO HAVE BEEN INTENT ON SOFTENING THE IMPACT OF THE CABINET DECISION WHEN IN A SPEECH TO THE BERLIN SPD ON SEPTEMBER 29 HE IS REPORTED TO HAVE ATTRIBUTED THE DECISION TO A CERTAIN NUMBER OF "MISUNDERSTANDINGS". FINALLY, AT THE FDP NATIONAL CONVENTION IN HAMBURG ON SEPTEMBER 30, FOREIGN MINISTER GENSCHER IS REPORTED TO HAVE SAID, WITH REFERENCE TO THE BONN CABINET DECISION OF LAST WEEK, "EUROPE COULD NOT BE ALLOWED TO FAIL OVER AGRICULTURE POLICY".

4. FOLLOWING IS INFORMAL TRANSLATION OF SCHMIDT-GISCARD LETTER: QUOTE: I CONSIDER IT VITAL TO EXPLAIN TO YOU THE FEDERAL GOVERNMENT'S DECISION OF LIMITED OFFICIAL USE

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SEPTEMBER 25 CONCERNING THE RESOLUTIONS OF THE

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COUNCIL OF AGRICULTURAL MINISTERS OF SEPTEMBER 20.
I ENCLOSE THE 5 POINTS OF THE CABINET DECISION SO
THAT YOU WILL SEE ABOVE ALL THAT THE FEDERAL
GOVERNMENT, BY ITS DECISION, HAS NOT CALLED INTO
QUESTION, BUT CONFIRMED, THE COMMON AGRICULTURAL
POLICY ON THE FOUNDATION OF THE ROME TREATIES. WITH
A VIEW TO OUR COMMON DETERMINATION (TO WORK) TOWARDS
A POLICY OF STABILITY, THE CABINET FOUND ITSELF
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SURPRISED BY THE EXTENT OF THE PRICE INCREASES UNDER CONSIDERATION IN THE DISCUSSIONS OF THE AGRICULTURAL MINISTERS. AFTER THOROUGH DELIBERATION, THE FEDERAL GOVERNMENT DECIDED, THEREFORE, TO AGREE TO THE DECISIONS OF THE COUNCIL OF AGRICULTURAL MINISTERS ONLY IF AND WHEN IT OBTAINED SATISFACTORY DECLARATIONS FROM THE MEMBER STATES WITH REGARD TO THE POINTS LISTED IN ITEM 4 OF THE CABINET DECISION. AFTER OUR RECENT INFORMAL TALKS AMONG THE STATE AND GOVERNMENT CHIEFS OF THE 9 AND IN CONSIDERATION OF MY POSITION TAKEN THERE, YOU WILL NOT BE SURPRISED TO FIND AMONG THESE POINTS, ABOVE ALL, THE QUESTION OF THE DISMANTLING OF NATIONAL AGRICULTURAL MEASURES IN CONTRAVENTION OF THE TREATY, AS WELL AS THE DEMAND FOR AN INVENTORY OF THE INSTRUMENTS AND THE RESULTS OF OUR COMMON AGRICULTURAL POLICY. ALSO, THE DESIRE FOR ADEQUATE ASSURANCE THAT THE FIXING OF AGRICULTURAL PRICES FOR FY 1975/76 WILL NOT LEAD TO NEW, LARGE PRICE INCREASES IS NOT NEW. IT IS MY OPINION THAT NEW NEGOTIATIONS NOW NECESSARY SHOULD BE HELD IN A GENERAL COUNCIL OF MINISTERS. THEREFORE, I SHOULD WELCOME IT, IF THE CHAIRMAN WOULD CONVOKE A COUNCIL OF THE FOREIGN AND AGRICULTURAL MINISTERS. SINCE THE TWO GERMAN MINISTERS ARE NOT AVAILABLE UNTIL WEDNESDAY NOON, OCTOBER 2, 1974, DUE TO THE FDP PARTY CONVENTION, THE BEGINNING OF SUCH A COUNCIL MEETING COULD BE SCHEDULED FOR LATER IN THE AFTERNOON OF THAT DAY. CERTAINLY, THERE IS NO REASON FOR GIVING THESE EVENTS A DRAMATIC ACCENT. THE ADHERENCE OF MY GOVERNMENT TO THE EUROPEAN POLICY HAS NEVER BEEN IN QUESTION. I AM CONFIDENT THAT WE SHALL FIND A JOINT SOLUTION TO THE PENDING ISSUES. END QUOTE. HILLENBRAND

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